

FISCAL NOTE

Bill #: SB0090

Title: Provide annual inflation-related adjustments to school base funding

Primary Sponsor: Kitzenberg, S

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	FY 2004 Difference	FY 2005 Difference
Expenditures:		
General Fund	\$6,565,000	\$19,102,000
Net Impact on General Fund Balance:	(\$6,565,000)	(\$19,102,000)

- | | |
|---|---|
| <input checked="" type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. The average number belonging to (ANB) in K-12 public schools will be as follows:

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
K-6 ANB	76,057	73,619	72,044
7-8 ANB	25,082	25,546	25,220
9-12 ANB	<u>50,366</u>	<u>50,100</u>	<u>49,277</u>
Totals	151,505	149,265	146,541

2. SB90 ties the increases in the basic and per-ANB entitlements to the consumer price index (CPI-U). The legislation instructs the Office of Public Instruction to inflate the entitlements for the ensuing school year by a growth rate equivalent to the change in the CPI-U from July of the previous school year to July of the current school year.
3. The CPI-U was 177.5 in July 2001 and 180.1 in July 2002 (Bureau of Labor Statistics). The CPI-U in July 2003 is projected to be 185.2 in July 2003 (Global Insights, December 2002 Forecast). Therefore, the rate of inflation was 1.46% from July 2001 to July 2002 and is projected to be 2.83% from July 2002 to July 2003.
4. Using these inflation rates, the basic and per-ANB entitlements would be increased by 1.46% in FY 2004 and by 2.83% in FY 2005. The basic and per-ANB entitlements would be set as follows:

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(continued)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Basic entitlement EL	\$19,244	\$19,525	\$20,078
Basic entitlement HS	\$213,819	\$216,941	\$223,080
Per-ANB entitlement EL	\$3,906	\$3,963	\$4,075
Per-ANB entitlement HS	\$5,205	\$5,281	\$5,430
Direct State Aid Percentage	44.7%	44.7%	44.7%

5. The statewide taxable valuation will increase by 4.0% in FY 2004 and by 5.5% in FY 2005.
6. Under current law, direct state aid will be \$319.27 million in FY 2004 and \$314.03 million in FY 2005. Special education payments will be \$34.91 million in FY 2004 and FY 2005. Guaranteed tax base aid to schools will be \$97.83 million in FY 2004 and \$94.93 million in FY 2005.
7. SB 90 does not affect the state special education appropriation.
8. Under SB 90, direct state aid will be \$324.05 million in FY 2004 and \$327.99million in FY 2005. Guaranteed tax base aid paid to schools will be \$99.61 million in FY 2004 and \$100.05 million in FY 2005.
9. As school district general fund budgets increase, increased salaries will lead to higher district retirement costs. District retirement costs are charged to the county retirement levies and state retirement guaranteed tax base (GTB) aid. Because the increases contained in this bill do not exceed the amount that district budget are assumed to increase under present law, there is no additional retirement amount added as a result of this bill.

FISCAL IMPACT:

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
<u>Expenditures:</u>		
Local Assistance	\$6,565,000	\$19,102,000
<u>Funding of Expenditures:</u>		
General Fund (01)	\$6,565,000	\$19,102,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(\$6,565,000)	(\$19,102,000)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

School districts will respond to SB 90 in two ways. Most districts will increase general fund spending; others will provide property tax relief. Some districts will combine the two approaches. Districts that are currently spending at the BASE budget level will be required to increase spending and local property taxes to achieve the new BASE level.

Increases in property taxes to support the over-BASE portion of school district budgets will require voter approval.

LONG-RANGE IMPACTS:

The definition of the present law base budget for school districts will change. The Governor must submit a budget that first considers the present law base budget of each agency. This bill will increase all future present law base budgets considered by Governor and the Legislature.